



MICHIGAN ECONOMIC UPDATE

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<http://www.michigan.gov/treasury>

July 2004 Summary

U.S. Economy: The U.S. economic indicators were largely positive; however employment remained weak. The ISM manufacturing index rebounded slightly to 62.0. Similarly, the ISM non-manufacturing index rose 4.9 points to 64.8 points. Industrial production rose 0.4 percent in July, but was not able to fully recover ground lost in June. Retail sales rose 0.7 percent in July. Excluding autos, sales rose only 0.2%. Housing starts increased sharply, rising 8 percent to 1.978 million annualized units. However, wage and salary employment grew even more slowly in July. Along the same lines, the ISM manufacturing employment index fell to 57.3, its lowest reading since March. The index of leading economic indicators fell 0.3% in July, marking the second consecutive monthly decline.

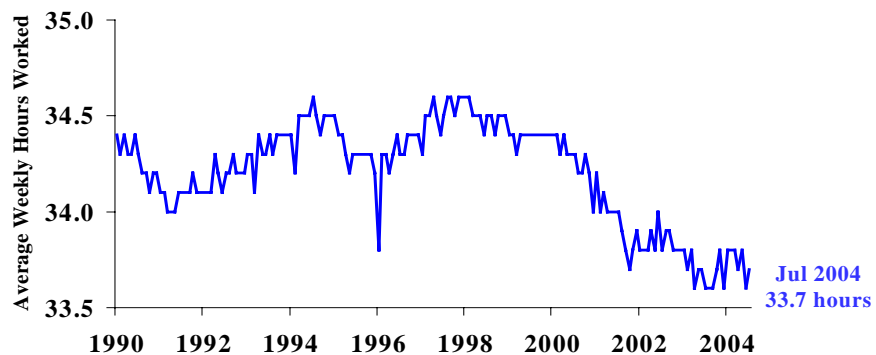
Employment: Michigan payroll employment declined by 25,000 jobs in July. The state's unemployment rate increased 0.3 of a percentage point to 6.8 percent. Nationally, payroll employment increased by 32,000 compared to June. The U.S. unemployment rate fell 0.1 of a percentage point to 5.5 percent.

Auto Industry: July light vehicle sales rose to a 17.2 million unit rate. Compared to a year ago, the three-month average of vehicle production was down 17.1 percent compared with a 3.0 percent decline nationally. Light vehicle inventories were up 5.6 percent from a year ago.

Inflation: Compared to a year ago, overall U.S. consumer prices rose 3.0 percent. Excluding volatile food and energy prices, "core" consumer prices rose only 1.8 percent.

Michigan Metro Areas: Seasonally unadjusted June unemployment rates ranged between 4.3 percent (Ann Arbor MSA) and 10.2 percent (Flint MSA) for the twelve major labor market areas. County unemployment rates ranged between 1.4 percent (Mackinac) and 12.8 percent (Oscoda).

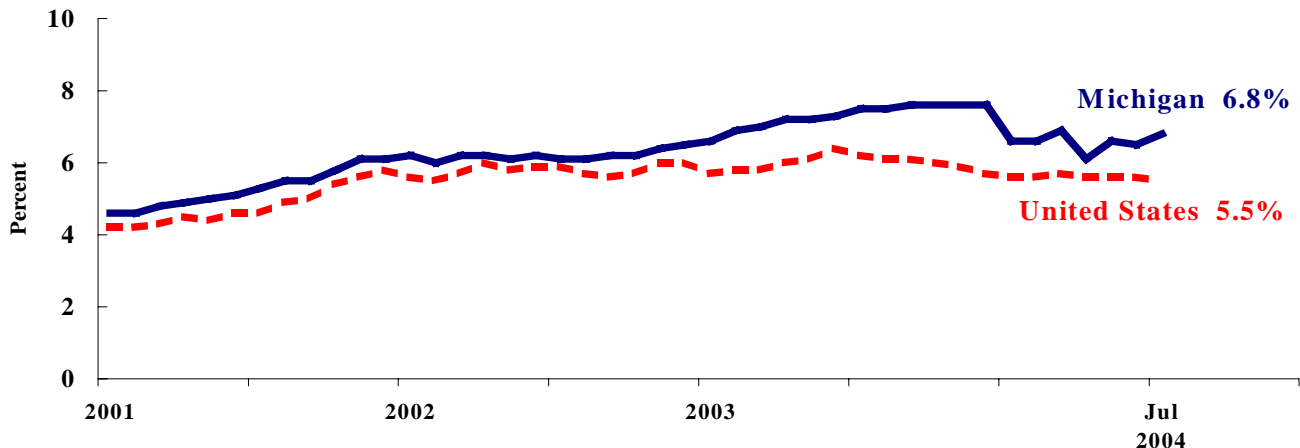
Hours Worked Continue Long Term Decline ^(b)



Labor Market Statistics

- Michigan's July monthly unemployment rate increased 0.3 percentage points to 6.8 percent. The current Michigan jobless rate is 0.7 percentage points below a year ago. The July U.S. unemployment rate decreased 0.1 percentage points from last month to 5.5 percent and was 0.7 percentage points lower compared to a year ago. Monthly unemployment rates fluctuate due to statistical sampling errors and data revisions.

Michigan and U.S. Monthly Unemployment Rates 2001 to 2004



Source: Michigan Dept. of Career Development and Bureau of Labor Statistics, U.S. Dept. of Labor

- The number of people employed in Michigan was 4,703,000 in July, down 7,000 from last month, while the labor force decreased by 8,000. Therefore, the statewide total number of unemployed increased by 15,000 to 343,000.
- United States household employment totaled 139.7 million persons in July, up 629,000 from June. The labor force increased by 577,000 from last month, which meant that there were 52,000 fewer unemployed people nationally, compared to June 2004.

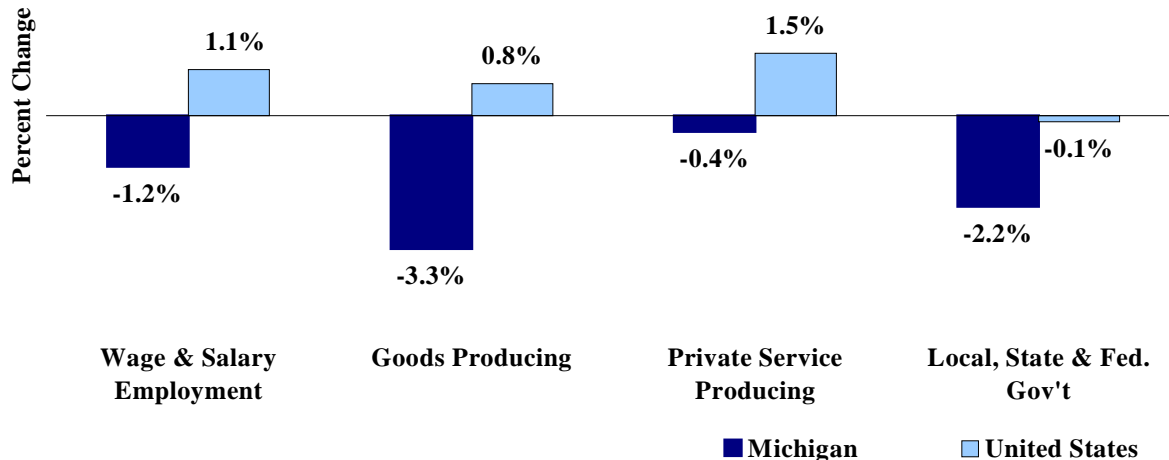
Employment by Place of Residence (in thousands)^(a)

					Change From			
	2003	May	Jun	Jul	Prior Month		Last Year	
	<u>Average</u>	<u>2004</u>	<u>2004</u>	<u>2004</u>	<u>Level</u>	<u>%</u>	<u>Level</u>	<u>%</u>
Michigan								
Labor Force	5,042	5,070	5,038	5,046	8	0.2%	n.a.	n.a.
Employed	4,674	4,738	4,710	4,703	-7	-0.1%	n.a.	n.a.
Unemployed	368	332	328	343	15	4.6%	n.a.	n.a.
Unemployment Rate	7.3%	6.6%	6.5%	6.8%	n.a.	0.3% pts	n.a.	-0.7%
United States								
Labor Force	146,510	146,974	147,279	147,856	577	0.4%	n.a.	n.a.
Employed	137,736	138,772	139,031	139,660	629	0.5%	n.a.	n.a.
Unemployed	8,774	8,203	8,248	8,196	-52	-0.6%	n.a.	n.a.
Unemployment Rate	6.0%	5.6%	5.6%	5.5%	n.a.	-0.1% pts	n.a.	-0.7%

Employment by Place of Work

- From July 2002 to July 2003, Michigan wage and salary employment declined 55,000 (1.2 percent). State wage and salary employment fell 25,000 from June. Large seasonal cutbacks in manufacturing accounted for much of the monthly decrease. Nationally, July 2003 wage and salary employment rose 1,458,000 (1.1 percent) from a year ago and was up 32,000 from last month.

Wage and Salary Employment Growth July 2003 to July 2004



Source: Bureau of Labor Statistics, Michigan Department of Labor and Economic Growth

- In the goods producing sector, Michigan employment fell 3.3 percent from a year ago and private service-producing sector employment decreased 0.4 percent compared to last year. From a year ago, July national employment in the goods-producing sector rose 0.8 percent and increased 1.5 percent in the private service-producing sector.
- Manufacturing weekly hours fell in Michigan by 0.1 hours compared to last year.

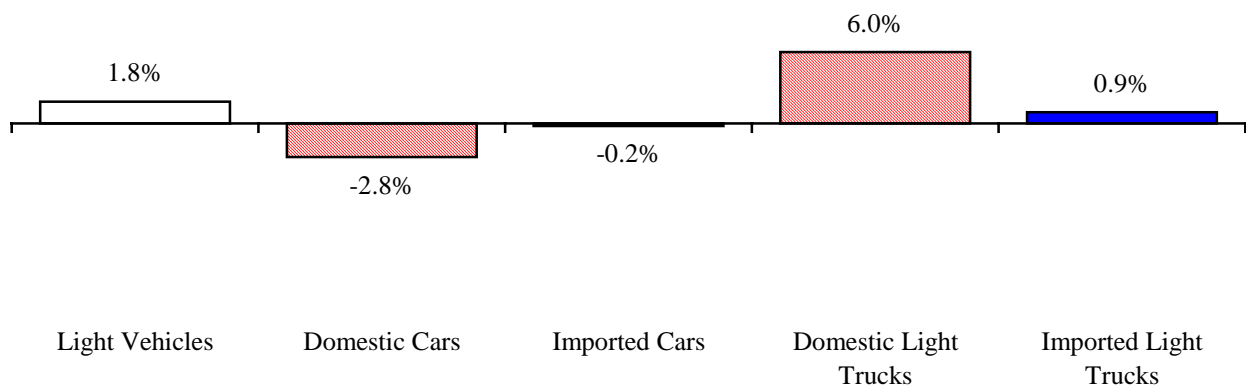
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2003 Average	Jul 2003	Jul 2004	Percent Change	2003 Average	Jul 2003	Jul 2004	Percent Change
Wage & Salary Employment	4,412	4,405	4,350	-1.2%	129,931	129,814	131,272	1.1%
Goods Producing	925	919	889	-3.3%	21,817	21,744	21,914	0.8%
Manufacturing	727	720	686	-4.7%	14,525	14,452	14,405	-0.3%
Private Service Producing	2,805	2,815	2,804	-0.4%	86,538	86,509	87,829	1.5%
Trade, Trans. & Utilities	815	816	808	-1.0%	25,275	25,225	25,491	1.1%
Services	1,700	1,708	1,714	0.4%	50,092	50,101	51,155	2.1%
Local, State & Fed. Gov't	681	672	657	-2.2%	21,575	21,561	21,529	-0.1%
Manufacturing Weekly Hours	42.1	42.4	42.3	-0.1 hrs	40.4	40.1	40.9	0.8 hrs

Motor Vehicle Industry Sales

- Light vehicle sales fell rebounded in July to a 17.2 million unit rate, up 11.9 percent from last month and 2.2 percent from a year ago.
- Compared to a year ago, domestic sales were up 2.4 percent while foreign sales increased 1.6 percent. Auto sales fell 1.4 percent while light truck sales rose 5.2 percent. Light vehicle inventories rose 5.6 percent while days supply rose by four days to 63 days.
- Year-to-date 2004 light vehicle sales are up 1.8 percent compared to last year. Domestic light truck sales are up 6.0 percent for the year, while import light truck sales are up 0.9 percent year-to-date in 2004. Domestic car sales are down 2.8 percent year-to-date while import car sales are down 0.2 percent.

2004 Light Vehicle Sales Slightly Up Year-to-Date



Motor Vehicle Sales Statistics

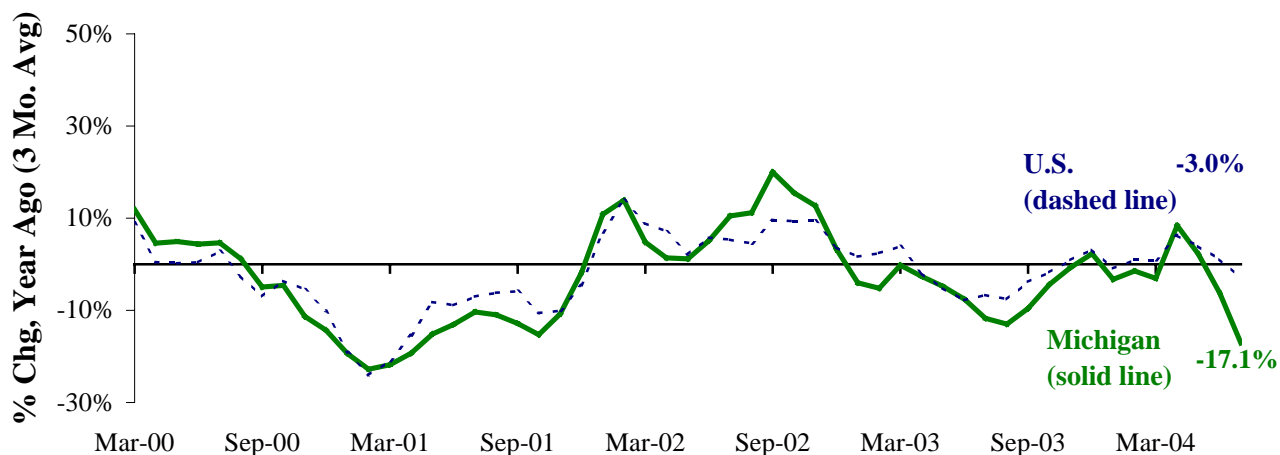
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2003	May	Jun	Jul	3 Month	Change from Year Ago	
	Average	2004	2004	2004	Average	Level	%
Autos	7.6	7.9	7.1	7.5	7.5	(0.1)	-1.4%
Domestics	5.5	5.7	4.9	5.5	5.3	(0.1)	-2.5%
Imports	2.1	2.3	2.1	2.1	2.1	0.0	1.7%
Import Share	27.4%	28.6%	30.0%	27.4%	28.6%	0.8% pts	
Light Trucks	9.0	9.7	8.3	9.7	9.3	0.5	5.2%
Domestics	7.8	8.5	7.1	8.4	8.0	0.5	5.8%
Imports	1.2	1.3	1.2	1.3	1.3	0.0	1.5%
Import Share	13.5%	12.9%	14.6%	13.3%	13.5%	-0.5% pts	
Total Light Vehicles	16.6	17.7	15.4	17.2	16.7	0.4	2.2%
Heavy Trucks	0.3	0.4	0.4	0.4	0.4	0.1	27.5%
Total Vehicles	17.0	18.1	15.8	17.6	17.2	0.5	2.8%
U.S. Light Vehicle Inventories^(d)		May-04	Jun-04	Jul-04	3 Month	Change	
Total Car	1.552	1.551	1.538	1.331	1.473	-0.279	
Days Supply	63	54	57	53	55	-7 days	
Total Truck	2.151	2.546	2.623	2.297	2.488	0.018	
Days Supply	74	75	85	71	77	-2 days	

Motor Vehicle Industry Production

- At 100,711 units, July Michigan light vehicle production decreased 26.2 percent from a year ago, compared with a 9.1 percent decline nationally.
- Compared with a year ago, state car production fell 36.6 percent while state truck production declined 14.0 percent. Nationally, car production declined 11.2 percent while truck production fell 7.8 percent.
- Production varies substantially from month to month. Therefore, a three-month average may provide a clearer indication of vehicle production patterns. The Michigan three-month average was down 17.1 percent from a year ago, compared with a 3.0 percent decline nationally.

Trend Light Vehicle Production Down in Michigan Up Slightly Nationally



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2003 Average	May 2004	Jun 2004	Jul 2004	3 Month Average	Change from Year Ago	
						Level	%
U.S. Production ^(e)							
Autos	376.4	354.7	374.2	237.2	322.1	(29.9)	-11.2%
Trucks	634.6	666.9	681.3	398.7	582.3	(33.6)	-7.8%
Total	1,011.0	1,021.7	1,055.5	636.0	904.4	(63.5)	-9.1%
Michigan Production ^(f)							
Autos	127.2	107.0	107.4	46.8	87.1	(26.9)	-36.6%
Trucks	104.8	109.9	105.0	53.9	89.6	(8.8)	-14.0%
Total	232.0	216.9	212.4	100.7	176.7	(35.7)	-26.2%
Michigan as % of U.S.	22.9%	21.2%	20.1%	15.8%	19.5%	-3.7% pts	

July 2004 Unemployment Rates Fell in Eleven Major Labor Market Areas (Not Seasonally Adjusted)

Compared to a year ago, July 2004 unemployment rates fell in eleven major labor market areas and rose slightly in one area. Six major labor market areas reported declines of 1.0 percentage point or more. The median decline was 1.0 percentage point.

The Flint MSA reported the largest decline from a year ago (1.9 percentage points) followed by the Grand Rapids and Jackson MSAs (1.7 percentage points). The Northeast Lower Michigan area reported the next largest decline (1.5 percentage points). The unemployment rate rose 0.3 of a percentage point in the Lansing MSA compared to a year ago.

July 2004 unemployment rates ranged between 4.3 percent (Ann Arbor) and 10.2 percent (Flint). Compared to June's unemployment rates, all nine MSAs reported non-seasonally adjusted higher unemployment rates with increases ranging between 0.2 and 1.7 percentage points.

Compared to July 2003, unemployment rates fell in 71 counties, rose in 11 counties and was unchanged in one county.

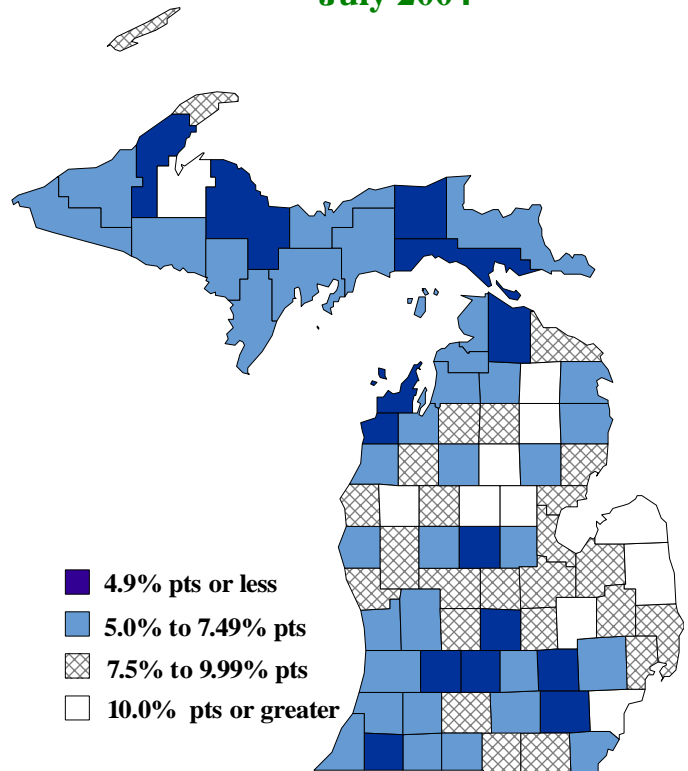
Among Michigan's 83 counties, 73 counties reported a July unemployment rate of 10.0 percent or lower. Fifteen counties recorded an unemployment rate of 5.0 percent or less.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Jul 2003 Rate</u>	<u>Jul 2004 Rate</u>	<u>Latest 3 Month Average</u>
Michigan	8.2%	7.5%	6.9%
Ann Arbor MSA	4.8%	4.3%	4.0%
Benton Harbor MSA	8.3%	7.2%	6.8%
Detroit PMSA	8.4%	8.2%	7.4%
Flint MSA	12.1%	10.2%	9.0%
GR-Musk-Holl MSA	8.7%	7.0%	6.6%
Jackson MSA	8.8%	7.1%	6.8%
Kal-Battle Creek MSA	7.2%	6.4%	6.1%
Lansing MSA	5.6%	5.9%	5.1%
Sag-Bay-Midland MSA	9.0%	8.1%	7.8%
Upper Peninsula	6.3%	5.4%	5.8%
Northeast Lower Mich	8.5%	7.0%	7.2%
Northwest Lower Mich.	7.2%	5.9%	6.2%

Source: Michigan Department of Labor and Economic Growth. Due to methodological changes beginning in January 2004, household employment and unemployment level data are not comparable to earlier months.

Unemployment Rates July 2004



U.S. Economic Conditions

	<u>Apr-04</u>	<u>May-04</u>	<u>Jun-04</u>	<u>Jul-04</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	94.2	90.2	95.6	96.7	5.8 points
ISM Manufacturing Index ⁽ⁱ⁾	62.4	62.8	61.1	62.0	9.4 points
ISM Non Manufacturing Index ⁽ⁱ⁾	68.4	65.2	59.9	64.8	0.7 points
	<u>2003.3</u>	<u>2003.4</u>	<u>2004.1</u>	<u>2004.2</u>	
Business Executives' Confidence ^(j)	67.0	66.0	73.0	70.0	10.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Apr-04</u>	<u>May-04</u>	<u>Jun-04</u>	<u>Jul-04</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	188.0	189.1	189.7	189.4	3.0%
Detroit CPI	184.7	NA	185.8	NA	1.6%
U.S. Producer Price Index	147.3	149.1	148.7	148.7	4.0%
INTEREST RATES					
90 Day T-Bill ^(l)	0.94%	1.04%	1.27%	1.35%	0.45% points
Aaa Corporate Bonds ^(m)	5.73%	6.04%	6.01%	5.82%	0.33% points
INDUSTRIAL PRODUCTION ^(m)					
	115.3	116.3	115.8	116.2	4.9%
CAPACITY UTILIZATION ^(m)					
	76.8%	77.4%	76.9%	77.1%	2.6% points
RETAIL SALES ⁽ⁿ⁾					
	\$331.1	\$335.9	\$334.2	\$336.5	6.5%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Apr-04</u>	<u>May-04</u>	<u>Jun-04</u>	<u>Jul-04</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	1.963	1.979	1.826	1.978	4.5%
Existing Home Sales ^(p)	6.630	6.810	6.920	6.720	8.6%
DURABLE GOODS ORDERS ^(q)					
	\$192.1	\$190.2	\$192.4	\$195.6	11.7%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2003.2</u>	<u>2003.3</u>	<u>2003.4</u>	<u>2004.1</u>	<u>% Change From Year Ago</u>
Michigan	\$305.5	\$308.0	\$313.2	\$316.1	4.4%
U.S.	\$9,140.7	\$9,254.3	\$9,380.5	\$9,510.1	5.2%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2000 Dollars) ^(c)	<u>2003.3</u>	<u>2003.4</u>	<u>2004.1</u>	<u>2004.2</u>	<u>Annualized % Chg From Last Qtr</u>
	\$10,472.8	\$10,580.7	\$10,697.5	\$10,771.4	2.8%

SOURCES AND NOTES:

- (a) Seasonally adjusted. Sources: Bureau of Labor Statistics, U.S. Department of Labor and Michigan Dept. of Labor and Economic Growth, Employment Service Agency.
- (b) Bureau of Labor Statistics, U.S. Department of Labor (BLS 790).
- (c) Seasonally adjusted annual rates. Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- (d) Ward's Automotive Reports.
- (e) Automotive News.
- (f) Michigan Department of Treasury.
- (g) Michigan Department of Labor and Economic Growth, Employment Service Agency.
- (h) University of Michigan Survey of Consumers.
- (i) Institute for Supply Management (ISM), formerly NAPM.
- (j) The Conference Board.
- (k) Bureau of Labor Statistics, U.S. Department of Labor.
- (l) U.S. Department of Treasury. Average of weekly averages.
- (m) Seasonally adjusted rates (except interest rates). Federal Reserve System Board of Governors. 1997 equals 100.
- (n) Retail and Food Services Sales. Bureau of the Census, U.S. Department of Commerce.
- (o) Bureau of the Census, U.S. Department of Commerce.
- (p) National Association of Realtors.
- (q) Bureau of the Census, U.S. Department of Commerce. Figures exclude semi conductors.